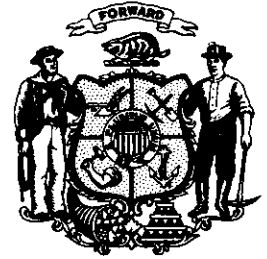


WISCONSIN TAX BULLETIN

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Income, Sales, Inheritance and
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WHAT'S NEW FOR 1979: NEW LAWS AND FORM CHANGES

Several new Wisconsin laws and tax form changes apply to 1979 tax returns. These are described below as reminders of items deserving particular attention when preparing 1979 Wisconsin individual income and corporate franchise/income tax returns.

A. Income Taxes

1. Update Internal Revenue Code Reference to December 31, 1978. For the 1979 taxable year, an individual will use the Internal Revenue Code in effect on December 31, 1978 with 3 exceptions that do not apply for Wisconsin income tax purposes: (a) special federal provisions for benefits received from an employer's educational assistance program; (b) foreign living cost deductions; and (c) amortization of pollution control facilities. In addition, individuals may continue to claim Wisconsin itemized deductions for child and dependent care expenses, and for political contributions (line 64 of Form 1).
Federal tax laws enacted in 1979 do not apply for Wisconsin 1979 returns. At the time this edition of the *Wisconsin Tax Bulletin* went to press (December 1979), no new federal income tax laws had been enacted during 1979.
2. Taxes Eliminated as Itemized Deductions. State and local income taxes, real estate taxes, gas taxes, sales taxes and personal property taxes are no longer allowed as itemized deductions on the Wisconsin return. A new part of the return, titled "Computation of Wisconsin Itemized Deduc-

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tions" (lines 63 to 65), has been added to page 2 of Form 1. Included in this section are entry lines for subtracting taxes and adding child and dependent care expenses and political contributions to other allowable itemized deductions.

3. Wisconsin Standard Deduction Increased. The standard deduction has been increased to \$2,300 for single persons and \$3,400 in total for a married couple. Married persons may divide the \$3,400 between them in any manner they choose.
4. New 12% Property Tax/Rent Credit. A credit equalling 12% of property taxes paid during the taxable year on nonbusiness property and 12% of rent constituting property taxes paid during the taxable year on a person's primary residence may be claimed as a nonrefundable credit. The rent credit is claimed on line 10 and the property tax credit on line 11 of the 1979 Wisconsin returns.

5. Special 16% One-Time Tax Credit. For the 1979 taxable year only, a person's Wisconsin net income tax liability is reduced by a 16% nonrefundable credit (subject to a maximum credit of \$900). The credit may be claimed on line 15 of Forms 1 and 1A.
6. Lower Tax Rates, Widen Tax Brackets. The income tax tables in the Form 1 and 1A booklets are expanded to include the gross tax computed on incomes up to \$40,000. The tax rates have been lowered and the tax brackets widened in the revised tables.
7. Form 1A: No Estimated Tax Payments. Form 1A no longer has entry lines for estimated tax payments. Persons claiming estimated tax payments and credits for 1979 or wanting to apply any of their 1979 refund to estimated tax for 1980 must now file on Form 1.
8. Exclude \$100,000 of Gain on Sale of Principal Residence if Taxpayer 55 Years or Older. The first \$100,000 of gain on the sale or exchange of a principal residence may be excluded from Wisconsin taxable income if the seller was 55 years of age or older before the date of sale and met certain other requirements.
9. Unemployment Compensation. Unemployment compensation benefits which are taxable for federal will also be taxable for Wisconsin.
10. Alternative Energy System Program. Schedule AE ("Wisconsin Alternative Energy System Tax Benefit Claim") has been eliminated for individuals. Individuals who incurred costs during 1979 for installing an alternative energy system, rather than having to file for an income tax credit, may apply to the Department of Industry, Labor and Human Relations for a direct refund. Schedule AE is still available and must be used by

corporations claiming a tax benefit for an alternative energy system.

11. Nonresidents and Part-Year Residents Determine Additional Deduction for Dependents Based Upon Federal Income. Nonresidents and part-year residents should determine their amount of additional deduction for dependents based upon their total federal adjusted gross income, rather than their Wisconsin total income (which full-year residents use as a basis). Therefore, the instruction booklets contain two standard deduction and low-income allowance tables: one for full-year Wisconsin residents and the other for nonresidents and part-year residents.
12. Form 1X. Format changes were required to the amended return form to provide entry lines for the three new tax credits for 1979: the special 16% one-time tax credit, the property tax credit and the rent credit. The form has the year "1979" preprinted on it. In previous years, Form 1X was undated and its preparer had to indicate the calendar or fiscal year being amended.

B. Corporation Franchise/Income Taxes

1. Subchapter S Corporations. Corporations which have elected to be taxed under Subchapter S of the Internal Revenue Code for federal purposes are required to report under essentially the same provisions for Wisconsin tax purposes. A new corporation reporting form (Form 4S), titled "Shareholders' Tax-Option (Subchapter S) Corporation Modifications or Share of Income (Loss)", must be completed and attached to Form 4 or 5.

An entry line has been added to Forms 4 and 5 for Subchapter S corporations to provide a deduction for the corporation's net income or loss which will be reported by its shareholders.

2. Forms 8 and 10 Removed from Booklets. Form 8 ("Report of Transfers of Capital Stock") and

Form 10 ("Report of Inventory Location") were removed from the Form 4 and 5 booklets to provide room for the new Form 4S. Copies of Forms 8 and 10 can be obtained from any Department office.

3. Deductions for Certain Business Entertainment Expenses Disallowed. Expenses which are not deductible under section 274 of the Internal Revenue Code (such as certain business entertainment, travel, gifts, and entertainment facilities) are not allowed as deductions for Wisconsin purposes. In addition, corporations are not allowed corporate deductions for athletic club, country club or social club dues, expenses, initiation fees, special assessments and taxes thereon, whether or not they are deductible under section 274 of the Code.
4. Contributions Deductible to Out-of-State Organizations. The deduction for contributions by corporations includes contributions to out-of-state, nonprofit, religious, charitable, scientific, literary, and educational organizations, cemetery corporations, and organizations for the prevention of cruelty to children or animals.

5. Single-Weight of Throwback Sales in Apportionment Formula. For multi-state corporations using the apportionment method to compute Wisconsin net income, a change in the apportionment formula gives the effect of a single weight for sales subject to the throwback provision. Sales included in the numerator of the sales factor because the property was shipped from Wisconsin into a state which does not have jurisdiction to tax the corporation will be included at 50% of such sales.

INFORMATIONAL PUBLICATIONS AVAILABLE

Last year, the Income, Sales, Inheritance and Excise Tax Division of the Department began publishing a

new form of informational material called "publications". These are small pamphlets which provide detailed information relating to specific areas of Wisconsin tax laws. They are intended to aid the public in understanding certain aspects of the Wisconsin tax laws administered by the Division.

For 1979, the following publications may be obtained at each of the Division's offices located throughout Wisconsin:

Publication Number	Publication Title
100	1979 Wisconsin Tax Requirements For Nonresidents
101	1979 Wisconsin Tax Requirements For Part-Year Residents
102	Wisconsin Tax Treatment of Subchapter S Corporations and Their Shareholders
103	Reporting Capital Gains And Losses For Wisconsin Purposes
104	Wisconsin Taxation of Military Personnel
105	Adoption Expenses - Wisconsin Tax Benefits
106	Wisconsin Deduction For Child and Dependent Care Expenses
500	Tax Guide For Wisconsin Political Organizations And Candidates
501	Field Audit of Wisconsin Tax Returns
503	Wisconsin Farmland Preservation Tax Credit for 1979
504	Directory For Wisconsin Department of Revenue

If you have any suggestions for additional subjects which you believe should be covered by a publication, submit your suggestions to the Wisconsin Department of Revenue, Division of Income, Sales, Inheritance and Excise Taxes, Director of Technical Services, P.O. Box 8910, Madison, Wisconsin 53708.

HOW TO GET INCOME TAX FORMS

Individuals who filed 1978 Wisconsin income tax returns or homestead credit claims in 1979 were mailed a 1979 income tax or homestead credit booklet in December 1979.

Tax practitioners and other persons or organizations were permitted

to request bulk orders of 1979 Wisconsin income tax forms on an order blank (Form P-744) beginning in October 1979. These orders are expected to all be filled by mid-January 1980.

During the filing season, anyone wishing a limited supply of forms may obtain these from any Departmental office located throughout the state. Persons are limited to six copies of any single form, however. This will avoid the limited supply of forms at any office from being quickly depleted and unavailable for other persons.

Practitioners or others wishing more than six copies of a form should write the Wisconsin Department of Revenue, Central Services Section, Post Office Box 8903, Madison, Wisconsin 53708.

HOMESTEAD CREDIT REMINDERS FOR 1979

A. Law changes for 1979 claims

New laws enacted in 1979 affect the eligibility requirements and computation of benefits for Homestead Credit. Individuals receiving general relief or aid to families with dependent children (AFDC) at the time of filing a claim are no longer automatically ineligible for Homestead Credit. To qualify for Homestead Credit, a claimant must not have received general relief payments of \$400 or more in each month of 1979, or AFDC for the entire year 1979. Claimants who received general relief payments of \$400 or more for any month in 1979 and claimants who received AFDC payments for any month in 1979 must reduce their property taxes and/or rent constituting property taxes. The reduction must be by one-twelfth for each month that they received public assistance benefits. Claimants who received general relief payments less than \$400 for any month are not required to make any reduction for that month.

The household income limitation has increased to \$14,000 for 1979 claims. The reduction of \$600 for household income if a claimant,

spouse or dependent was 65 or over, has been eliminated.

The maximum amount of property taxes and/or rent constituting property taxes which may be used in computing a homestead benefit has increased from \$800 to \$1,000. Also, the maximum homestead benefit has increased from \$640 to \$800 for 1979 claims.

B. Who may qualify for 1979 Homestead Credit

To qualify for 1979 Homestead Credit, a claimant must meet all of these conditions:

1. Must have been 18 years of age or over on December 31, 1979.
2. Must not be claimed as a dependent on anyone else's 1979 federal income tax return (this does not apply to claimants age 62 years old or over on December 31, 1979).
3. Must have been a legal resident of Wisconsin for all of 1979.
4. Must have household income less than \$14,000 for 1979.
5. Must have been an owner or renter of the Wisconsin homestead he or she occupied during 1979.
6. Must not be living in a nursing home and receiving medical assistance (Title XIX) at the time of filing a claim.
7. Must not have lived the entire year 1979 in housing which is exempt from real estate taxes. (Property owned and operated by a public housing authority is not considered exempt if the housing authority makes payments in lieu of real estate taxes to the municipality in which it is located.)
8. Must not claim farmland preservation credit for 1979.
9. Must not have received general relief payments of \$400 or more for each month of 1979, or aid to families with dependent children (AFDC) for the entire year 1979. If claimant received benefits from either of these sources for a portion of 1979 (but not the entire year), he or she may be eligible

but may also be required to make a one-twelfth reduction of property taxes and/or rent constituting property taxes for each month he or she received such benefits.

In addition, only one person of a household (husband and wife residing together) may claim the credit. If one or more individuals (other than husband and wife) each rent or own a homestead within a single dwelling unit, each may file a claim. Also, a claim cannot be filed for a person after his or her death.

C. Avoid errors on Homestead Credit claims

To avoid unnecessary delays in receiving a 1979 Homestead Credit check, the Department offers the following suggestions:

1. Be sure the claimant's name, address, social security number and telephone number are complete and legible. Use the mailing label provided whenever possible, making any changes necessary on the label. Enter on Schedule H the municipality and county in which the claimant lived at the end of 1979.
2. Answer all questions on Schedule H. This information is necessary to determine eligibility.
3. Enter all household income.
4. If the claim is based on property taxes, a copy of the 1979 property tax bill must be attached to Schedule H. The year "1979" must appear on the bill. If any name other than the claimant's appears on the tax bill, attach an explanation to Schedule H.
5. If the claim is based on rent paid, attach to Schedule H a fully completed "Rent Certificate" for each dwelling rented and occupied by the claimant as his or her homestead in 1979. A claimant may not claim more than twelve months of rent. If the claimant had two or more homesteads during 1979, he or she may claim rent for periods of occupancy only. The law prohibits a landlord from charging a fee for completing a rent certificate. If a claimant

experiences a problem in this regard, the person may contact the Department.

6. The claimant must sign Schedule H. If married, the claimant's spouse must also sign the claim.
7. If the claimant or the claimant's spouse is required to file a Wisconsin income tax return, attach the completed Schedule H and property tax bill or rent certificate to the income tax return.
8. All 1979 claims must be filed with the Department of Revenue by December 31, 1980. The law does not authorize paying claims filed after this date.

FARMLAND PRESERVATION TAX CREDIT REMINDERS FOR 1979

A. Law changes for 1979 claims

Increased benefits are available under a revised benefit formula for some persons filing Farmland Preservation Credit claims for 1979. In addition, a larger benefit may result from computing the credit on the taxes of all members of the claimant's household.

The formulas used to determine Farmland Preservation Credit benefits were revised by law to direct a greater amount of available benefits to farmland owners with lower incomes and property taxes. The 1979 farmland preservation credit tables reflect these formula changes.

When eligible farmland is owned by a Subchapter S corporation, the shareholders (not the corporation) are the claimants for Farmland Preservation Credit benefits. Each shareholder's claim is based on the property taxes accrued on the farmland as reflects the shareholder's percentage of ownership in the Subchapter S corporation.

Persons filing a Farmland Preservation Credit claim may determine their benefit not only on the basis of taxes attributable to eligible farmland

which they own, but also on the basis of taxes attributable to eligible farmland which any other member of their household owns.

B. Who may qualify for 1979 Farmland Preservation Credit

To qualify for 1979 Farmland Preservation Credit, a claimant must meet all of these conditions:

1. The claimant or a member of the claimant's household must have been the owner of the Wisconsin farmland for which the credit is being claimed at the close of the taxable year. ("Household" means an individual and his or her spouse and all minor dependents.)
2. An individual must have been a resident of Wisconsin for the entire 1979 taxable year. A corporation must have been organized under the laws of Wisconsin and must have been in existence for the entire 1979 taxable year. A trust or estate must have been in existence for the entire 1979 taxable year.
The 1979 taxable year may be either a calendar or fiscal year but must be a 12-month period. In addition, the 1979 taxable year must be for the same 12-month period covered by the claimant's 1979 income tax return.
3. The claimant and the claimant's spouse must not claim homestead credit for 1979.
4. The farmland on which the claim is based must be at least 35 acres.
5. Prior to January 1, 1980 the farmland to which the claim relates must be subject to a certified zoning ordinance, or a farmland preservation agreement must have been applied for by June 30, 1979 and such agreement must be executed by December 31, 1980. A contract is considered executed when it has been approved by the Wisconsin Department of Agriculture, Trade and

Consumer Protection and the farmland's owner has returned a signed copy of the contract to that department.

6. The farmland on which the claim is based must have produced at least \$6,000 of gross farm profits during 1979 or at least a total of \$18,000 in gross farm profits for 1977, 1978 and 1979 combined. (Gross farm profits means gross receipts, excluding rent, from the land's agricultural use, less the cost or other basis of livestock or other items purchased for resale which are sold or otherwise disposed of during the income year.)
7. A claimant's net farm income plus other household income must be less than \$38,429. The first \$7,500 of nonfarm wages, tips and salaries earned by the household may be excluded from household income.

NEW WITHHOLDING TAX FORMULA: ALTERNATIVE METHOD

When the new "Employer's Withholding Tax Guide" (for payroll periods beginning after June 26, 1979) was developed in mid-1979, one of the alternative "formula" methods of withholding offered in previous years was discontinued. In the prior withholding guide, this formula had been identified as "Method B".

In its place, a new formula for this method of calculating Wisconsin withholding tax has been developed. Employers who wish to use this new formula should contact Central Compliance, Wisconsin Department of Revenue, P.O. Box 8902, Madison, Wisconsin 53708 for further details.

It should be noted that this formula method of withholding is designed for use principally by employers who utilize computerized payroll systems. It is an optional method of computing withholding tax available to any employer who chooses to use it.

TAXPAYER ASSISTANCE

During the 1980 filing season (January through April 15th), many of the Department's auditors and tax representatives are available to answer questions of taxpayers and tax practitioners.

In the Department's larger offices, assistance is provided on a daily basis (Monday through Friday). Assistance in other offices generally is available on Mondays only, although there are exceptions as noted below.

Offices Providing Daily Assistance

<u>Location</u>	<u>Address</u>	<u>Telephone No.</u>	<u>Hours</u>
* Appleton	265 W. Northland Avenue	(414) 789-4218	7:45-5:00
* Eau Claire	718 W. Clairemont Avenue	(715) 836-2811	7:45-5:00
* Green Bay	1600 W. Shawano	(414) 497-4230	7:45-4:30
* Kenosha	625 - 57th Street, Suite 601	(414) 656-7100	7:45-4:30
* La Crosse	Courthouse, 400 N. Sixth St.	(608) 785-9721	7:45-5:00
* Madison	4638 University Avenue	(608) 266-2772	7:45-4:30
Madison	201 E. Washington Ave.	None	8:30-5:00
* Milwaukee	819 North 6th Street	(414) 224-4000	7:45-5:00
* Racine	425 South Main Street, Room 305	(414) 636-3711	7:45-4:30
* Waukesha	261 South Street	(414) 544-8690	7:45-4:30

Offices Providing Assistance on Mondays Only (unless otherwise noted)

Ashland	Courthouse, 201 2nd West	None	1:00-4:00	(a)
Baraboo	1007 Washington	(608) 356-8973	7:45-5:00	
Barron	Courthouse, 330 E. LaSalle Ave.	(715) 537-3621	7:45-4:00	
Beaver Dam	211 South Spring Street	(414) 887-8108	7:45-5:00	
Beloit	165 Liberty Street	(608) 362-0044	7:45-5:00	
Elkhorn	950 N. Lincoln St.	(414) 723-4098	7:45-5:00	
Fond du Lac	19 West First Street	(414) 921-5600	7:45-4:30	
Fort Atkinson	Municipal Building, 111 N. Main	None	8:00-5:00	(c)
Grafton/Cedarburg	101 Falls Road	(414) 377-6700	7:45-5:00	
Green Lake	529 Mills Street	(414) 294-3611	7:45-4:30	
Hayward	221 Kansas Avenue	(715) 634-8478	8:00-12:00	
Hudson	753 Sommers Street, North	(715) 386-8225	7:45-5:00	
Hurley	County Court House	None	1:00-4:00	(d)
Janesville	115 South Franklin	(608) 755-2750	7:45-5:00	(b)
Lancaster	225 N. Madison St.	(608) 723-2641	7:45-5:00	
Manitowoc	1314 Memorial Dr.	(414) 684-0653	7:45-5:00	
Marinette	Courthouse, 1926 Hall Avenue	(715) 735-3371	9:00-4:30	
Marshfield	630 South Central Avenue	(715) 387-6346	7:45-5:00	
Monroe	1220 Sixteenth Avenue	(608) 325-3013	7:45-5:00	
Oshkosh	Courthouse, 415 Jackson Street	(414) 424-2100	7:45-4:30	
Park Falls	178 South Third Avenue	(715) 762-2160	7:45-11:45	
Portage	Courthouse, 717 East Cook	None	8:00-5:00	(c)
Rhineland	Sunrise Plaza, Hwy. 8 East	(715) 362-6749	7:45-5:00	
Richland Center	Richland Memorial Bldg.	None	8:00-5:00	(d)
Shawano	Courthouse, 311 North Main	(715) 526-5647	7:45-4:30	
Sheboygan	504 S. 14th St.	(414) 459-3101	7:45-4:30	(b)
Superior	Courthouse, 1313 Belknap	(715) 394-0204	8:00-4:30	
Tomah	City Hall, 819 Superior Avenue	(608) 372-3256	8:30-5:00	
Watertown	415 East Main Street	(414) 261-7700	7:45-5:00	
Waupaca	201½ South Main Street	(715) 258-9564	7:45-4:30	
Wausau	Courthouse, Forest Street	(715) 842-0471	7:45-5:00	(b)
West Bend	519 Hickory Street	(414) 338-4730	7:45-5:00	
Wisconsin Rapids	1681 Second Ave. South	(715) 421-0500	7:45-5:00	

- (a) Tuesdays only
- (b) Monday through Wednesday
- (c) January 21, February 11, March 10, April 14
- (d) February 5, April 1

* open during noon hour